

IRS News Release

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IRS Extends Attributed Tip Income Program Deadline to June 30

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WASHINGTON — The IRS has extended the 2007 deadline until June 30 for restaurant or beverage businesses to elect to participate in the Attributed Tip Income Program.

The extension is in response to requests from restaurant and beverage industry members and is only applicable for the 2007 calendar year.

Normally, eligible establishments must elect to participate in ATIP by Feb. 28 when they timely file their Form 8027, "Employer's Annual Information Return of Tip Income and Allocated Tips."

To participate in the program for calendar year 2007, employers should have started to attribute tips under the provisions of Revenue Procedure 2006-30 beginning with the first payroll period on or after Jan. 1, 2007. However, for calendar year 2007 only, employers will be granted until June 30, 2007, to begin the tip attribution process and make the election to participate in ATIP. As long as the employer notifies the Service that they would like to participate in the program via Form 8027, the safe-harbor protection will begin the first pay-roll period that the employer attributes tips based on the prescribed formula under the Revenue Procedure. The ATIP participation extension does not extend the Form 8027 filing deadline.

If the employer has already filed Form 8027 without electing ATIP participation, but now desires to participate, the employer should file a duplicate Form 8027 before June 30, 2007, electing to participate in the ATIP with a notation "Duplicate Filing to Elect ATIP Participation" prominently displayed on the Form. A copy of the duplicate filing must also be sent to the attention of the Employment Tax/ATIP Coordinator in Covington, Ky., as prescribed in the Revenue Procedure.

The IRS announced ATIP on July 28, 2006. The program provides employers in the food and beverage industry with an alternative option that encourages voluntary tip income reporting by tipped employees. ATIP provides the following significant benefits for the employer and the tipped employee:

- Reduces recordkeeping burdens for the employer and the tipped employee
- Simplifies enrollment procedures, no one-on-one meetings with the IRS

- Promotes accurate reporting of tip wages on federal income tax returns using the business owners records
- Provides safe-harbor protections against tip audits for the employer and the participating employee
- Eliminates financial hardships associated with unplanned tax liabilities resulting from tip audits.

Details and requirements for participation for employers and employees are available in Revenue Procedure 2006-30, “Attributed Tip Income Program” at www.irs.gov/businesses/small/article/0,,id=98944,00.html